

EXHIBIT “C”

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

IN RE: NEW ENGLAND
COMPOUNDING PHARMACY,
INC. PRODUCTS LIABILITY MDL No. 2419
LITIGATION

Master Dkt:
1:13-md-02419-RWZ

~~~~~  
THIS DOCUMENT RELATES  
TO:

All Actions

~~~~~

VIDEOTAPED DEPOSITION OF
MICHAEL SCHATZLEIN, M.D.

9:05 a.m.
April 6, 2015

Suite 700
1600 Division Street
Nashville, Tennessee

Blanche J. Dugas, RPR, CCR No. B-2290

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Daniel Makowski, videographer

1 years have referred to their health systems as
2 ministries. So ministry can -- but ministry can occur
3 at any level. In other words, Ascension is a
4 ministry. An individual hospital is a ministry. An
5 individual clinic is a ministry.

6 Q. So would you consider the St. Thomas
7 Outpatient Neurosurgical Center to be a ministry?

8 A. No, it is not a ministry, was not a
9 ministry of St. Thomas Health or of Ascension.

10 Q. Now, you mentioned that you have calls with
11 Bob. Were you referring to Bob Henkel?

12 A. Yes, sir.

13 Q. And what was his position with Ascension?

14 A. He was the chief operating officer and
15 president for healthcare operations.

16 Q. And how would you describe Ascension Health
17 for someone who is unfamiliar with that organization?

18 A. Well, it's the largest not-for-profit
19 healthcare organization in the country. I would
20 describe it as a confederation of the hospitals that
21 had previously been operated by various chapters and
22 congregations of the Daughters of Charity and over
23 time other Catholic sponsors also came in. And so --
24 I'll just stop there.

25 Q. Let's talk about your duties as the

1 Q. All right. But other than the Bishop, is
2 it true that you're the highest ranking corporate
3 official?

4 A. I wasn't trying to avoid the question.
5 Yes, I am.

6 Q. All right. And who owns St. Thomas Health?

7 A. Well, let me just trace that back. I
8 believe the sole member of St. Thomas Health is an
9 Ascension Health entity.

10 Q. And so in 2012, approximately how many
11 employees or how many people were employed by St.
12 Thomas Health?

13 A. About 7,000.

14 Q. So you would agree that St. Thomas
15 Health -- that the St. Thomas Health system is part of
16 Ascension Health?

17 A. Yes.

18 Q. And what does the St. Thomas Health system
19 consist of?

20 A. There are five hospitals. At that time,
21 St. Thomas Baptist, Middle Tennessee Medical Center --
22 you want the list or no?

23 Q. Sure.

24 A. Middle Tennessee Medical Center, the
25 Hospital for Spinal Surgery and the Hickman Community

1 Hospital in Centerville, and then a number of
2 physician practices, rehab facilities, and then a --
3 we also had ownership in a number of joint ventures.

4 Q. Including the St. Thomas Outpatient
5 Neurosurgical Center?

6 A. Yes, sir.

7 Q. So let me hand you a document that I'll
8 make Exhibit No. 157, and let me ask you to tell us
9 what this appears to be.

10 (Exhibit 157 was marked for
11 identification.)

12 MR. NOLAN: For the record, this a
13 document that began at St. Thomas entities
14 MDL_023132.

15 THE WITNESS: It appears to be a
16 slide show and it appears to be a single
17 page from the -- I don't recall seeing it
18 before, but I'm looking at Page 18 is all
19 that was provided here.

20 Q. (By Mr. Nolan) Okay. So Page 18 appears
21 to be part of the slide show that gives an overview of
22 the St. Thomas Health system; is that correct?

23 A. Well, it says on the front, it says,
24 "Preliminary draft," and it says, "Health ministry
25 positioning preparation packet." And I just have no

1 Q. And so why was it that St. Thomas and the
2 Howell Allen Clinic came together to form the St.
3 Thomas Outpatient Neurosurgical Center?

4 A. Well, this happened before I was here. So
5 I can only give you my understanding as to why it
6 occurred. And that was that Howell Allen, within
7 their practice, had a number of patients who needed
8 the procedures that ultimately ended up being done at
9 the clinic/center, and St. Thomas Health or St. Thomas
10 Network had an underutilized or unutilized ambulatory
11 surgery center. So they came together in a 50/50
12 venture and asked Howell Allen to manage it.

13 Q. I see. And so do you know why it was set
14 up as a 50/50 venture?

15 A. No.

16 Q. Am I correct in understanding that St.
17 Thomas and Howell Allen have an equal representation
18 on the board of the center?

19 A. Yes.

20 Q. So they have an equal opportunity to
21 control that entity; is that true?

22 MR. SCHRAMEK: Objection, form.

23 Q. (By Mr. Nolan) You may answer.

24 A. They have equal input on policy and
25 selection of the manager.

1 receiving half the profits. We have joint ventures in
2 which we have no name and we receive some of the
3 profits. So I don't know what equity was offered when
4 the joint venture was -- was formed, but I have no
5 information that name was considered as a valuable
6 matter in establishing a 50/50 relationship.

7 Q. Do you know who it is that refers the
8 overwhelming majority of the patients to the St.
9 Thomas Center?

10 A. Howell Allen.

11 Q. And is it your understanding that patients
12 at the St. Thomas Center receive epidural steroids?

13 A. Yes.

14 Q. And is it also your understanding that if
15 patients receive those steroids at the center and the
16 steroids do not resolve their back problem or their
17 neck pain, they may be referred back to the
18 neurosurgeons at the Howell Allen Clinic for
19 additional treatment?

20 A. I don't know that to be true. I used to be
21 a physician and I assume it could be true.

22 Q. Okay. Well, assuming that that's true, do
23 you know if a patient who received epidural steroids
24 still has back pain and the neurosurgeons at Howell
25 Allen decide they need to perform back surgery on the

1 would decline to help the joint venturer, St. Thomas
2 Outpatient Neurosurgical Center, if they asked the
3 pharmacy a question about whether using compounding
4 pharmacies was a good thing or a bad thing?

5 A. These are all hypotheticals. It's just so
6 hard for me to know how to answer those. What a
7 pharmacist would say to another pharmacist, I just
8 don't know.

9 Q. Well, I'm asking what you would expect as
10 the CEO of St. Thomas Health, wanted those pharmacists
11 to do in that situation. What would you expect a
12 pharmacist to do?

13 A. Well, it's beyond the scope of anything
14 that I've thought of, so I assume that the pharmacist
15 would exercise his or her own judgment. But our
16 policy is to have written agreements, and I believe we
17 had them for managed care, for tax and for some
18 catering, and there were agreements and funds paid.
19 So that's the way we'd like to see that done.

20 Q. Well, St. Thomas Health did not charge the
21 center for the services that it provided in the wake
22 of this catastrophe, did it?

23 A. I don't know for a fact, but I think it's
24 unlikely that we did.

25 Q. And given that St. Thomas Health owns half

1 of the center, do you agree that -- or would you
2 expect as the CEO of St. Thomas Health that if the
3 center needed help with something for the benefit of
4 patient safety they would ask for help?

5 MR. TARDIO: Object to the form.

6 Q. (By Mr. Nolan) You can go ahead and
7 answer.

8 A. I would -- we have great confidence in the
9 management of STOPNC which was provided by Howell
10 Allen and Scott Butler. So I have confidence that if
11 he needed -- thought he needed advice in anything, he
12 would get it somewhere.

13 Q. Well, did St. Thomas ever impose any sort
14 of policies or procedures on the joint venturer, St.
15 Thomas Center, with regard to the purchase of
16 medications?

17 A. Not to my knowledge and it wouldn't be
18 something that we would -- that would not be a level
19 the governance would get involved in in the joint
20 venture.

21 Q. Well, why not? Is that not a safety issue?

22 A. Yeah, I think it's a safety issue, but it's
23 also within the purview of -- of management.

24 Q. Okay. Well, am I correct in understanding
25 that St. Thomas Health had two people on the boards of

DISCLOSURE

Pursuant to Article 10.B of the Rules and Regulations of the Board of Court Reporting of the Judicial Council of Georgia which states: "Each court reporter shall tender a disclosure form at the time of the taking of the deposition stating the arrangements made for the reporting services of the certified court reporter, by the certified court reporter, the court reporter's employer or the referral source for the deposition, with any party to the litigation, counsel to the parties, or other entity. Such form shall be attached to the deposition transcript," I make the following disclosure:

I am a Georgia Certified Court Reporter. I am here as a representative of Discovery Litigation Services, LLC. Discovery Litigation Services, LLC was contacted to provide court reporting services for the deposition. Discovery Litigation Services, LLC will not be taking this deposition under any contract that is prohibited by O.C.G.A. 9-11-28(c).

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Blanche J. Dugas
CCR No. B-2290

1 STATE OF GEORGIA:

2 COUNTY OF FULTON:

3
4 I hereby certify that the foregoing
5 transcript was reported, as stated in the
6 caption, and the questions and answers
7 thereto were reduced to typewriting under
8 my direction; that the foregoing pages
9 represent a true, complete, and correct
10 transcript of the evidence given upon said
11 hearing, and I further certify that I am
12 not of kin or counsel to the parties in the
13 case; am not in the employ of counsel for
14 any of said parties; nor am I in any way
15 interested in the result of said case.

16
17
18
19
20 BLANCHE J. DUGAS, CCR-B-2290
21
22
23
24
25

CAPTION

The Deposition of MICHAEL SCHATZLEIN, M.D.,
taken in the matter, on the date, and at the time and
place set out on the title page hereof.

It was requested that the deposition be
taken by the reporter and that same be reduced to
typewritten form.

It was agreed by and between counsel and
the parties that the Deponent will read and sign the
transcript of said deposition.

DEPOSITION ERRATA SHEET

DLS Assignment No. 21446

Case Caption: In Re: New England Compounding
Pharmacy, Inc Products Liability
Litigation

Witness: MICHAEL SCHATZLEIN, M.D. - 04/06/2015

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read
the entire transcript of my deposition taken in the
captioned matter or the same has been read to me, and
The same is true and accurate, save and except for
changes and/or corrections, if any, as indicated by me
on the DEPOSITION ERRATA SHEET hereof, with the
understanding that I offer these changes as if still
under oath.

Signed on the 8th day of
May, 2015.

MF

MICHAEL SCHATZLEIN, M.D.



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DEPOSITION ERRATA SHEET

Page and line	Change to	Reason for change
GLOBAL	"St. Thomas Health" should be "Saint Thomas Health"	Transcription error
GLOBAL	"St. Thomas Network" should be "Saint Thomas Network"	Transcription error
14/25	cardiothoracic and vascular surgery	Transcription error
21/21	Add a comma after "St. Thomas"	Transcription error
25/6	de rigueur within a health system	Transcription error
30/24	Change "They" to "The appointed board members"	Clarification
36/16	Add ", Saint Thomas Health." after "Yes, sir"	Clarification
49/2	Add ", to the extent it is its 100% owner." after "Yes, sir"	Clarification
54/19-20	Change "a block" to "half a mile"	Clarification
54/24	Change "Yes, sir" to "About half a mile."	Clarification
59/6	Add "Health" after "Thomas"	Clarification
59/24	when patients were called	Transcription error
64/23	"No." or "No, I would not."	Transcription error or clarification.
68/15	relations. Communications implies conveying the truth.	Transcription error
74/25	Timm	Transcription error
80/2-3	seeing somewhere in this pile of exhibits	Transcription error or clarification
82/11	Change "center" to "sign"	Transcription error
88/4	Those were the facts.	Transcription error or misspoke.
88/14	Change "Network provides" to "Network appoints board members who provide"	Clarification

SIGNATURE: _____



DATE: _____

5/18/15

DEPOSITION ERRATA SHEET

89/11	Change "officer who was" to "officer, Wes"	Transcription error
89/21	Change "No, sir" to "not that I'm aware"	Clarification
98/4	Change "Yes" to "The most important thing is providing patient care that is safe and effective."	Clarification
100/21	joint venture	Transcription error or clarification
103/21-22	we don't in Catholic healthcare move quickly in those areas	Transcription error
113/14-15	I don't know if I would seek any	Transcription error or misspoke
114/8	documented	Transcription error or misspoke.
118/7	consolidated	Transcription error or misspoke.
119/2-3	it's just GAAP	Transcription error
119/4	multiple labs, then all of the	Transcription error or clarification
119/15	Health-provided	
120/19	"cross" should be "check"	Transcription error or misspoke
135/19	"light" should be "white"	Transcription error or misspoke
145/2-3	"we didn't lose money but we missed budget".	Transcription error or misspoke
147/2-4	The last sentence should be in quotes as I am quoting from the exhibit	Transcription error
159/9	Deming	Transcription error
159/23	"credit" should be "accredit"	Transcription error
165/3	"were troubles"	Transcription error or misspoke
165/25	"To" line	Transcription error
172/25	"mill you" should be "milieu"	Transcription error

SIGNATURE: _____



DATE: _____

5/8/15